

NEW LONDON COMMUNITY SCHOOL DISTRICT  
NEW LONDON, IOWA

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

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# NEW LONDON COMMUNITY SCHOOL DISTRICT

## OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
(Before September 2011 election)		
Laurie Hempen	President	2011
Bob McPheron	Vice President	2013
Dennis Carter	Board Member	2011
Joel Prottzman	Board Member	2011
Lindsay Porter	Board Member	2013
(After September 2011 election)		
Laurie Hempen	President	2015
Bob McPheron	Vice President	2013
Lindsay Porter	Board Member	2013
Dennis Carter	Board Member	2015
Travis Benz	Board Member	2015
<u>School Officials</u>		
Charles Reighard	Superintendent	2012
Jessica Boyer	District Secretary/Treasurer	2012
Richard J. Gaumer	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
New London Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of New London Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2012 on our consideration of New London Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise New London Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
December 11, 2012

## Basic Financial Statements

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,397,781	\$ 148,977	\$ 3,546,758
Receivables:			
Property tax:			
Current year	21,781	-	21,781
Succeeding year	1,695,600	-	1,695,600
Income surtax	180,211	-	180,211
Due from other governments	838,776	-	838,776
Interfund balances	(2,037)	2,037	-
Inventories	-	383	383
Capital assets, net of accumulated depreciation (note 6)	5,581,436	33,959	5,615,395
<b>Total assets</b>	<b>11,713,548</b>	<b>185,356</b>	<b>11,898,904</b>
<b>Liabilities</b>			
Accounts payable	441,544	-	441,544
Salaries and benefits payable	491,837	5,819	497,656
Early retirement payable	30,000	-	30,000
Accrued interest payable	86,123	-	86,123
Deferred revenue:			
Succeeding year property tax	1,695,600	-	1,695,600
Other	-	2,826	2,826
Long-term liabilities (note 7):			
Portion due within one year:			
Bonds payable	120,000	-	120,000
Capital lease purchase agreement	71,980	-	71,980
Compensated absences	7,938	-	7,938
Portion due after one year:			
Bonds payable	4,165,000	-	4,165,000
Capital lease purchase agreement	230,401	-	230,401
Net OPEB liability	74,000	-	74,000
<b>Total liabilities</b>	<b>7,414,423</b>	<b>8,645</b>	<b>7,423,068</b>



NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 2,519,454	\$ 33,959	\$ 2,553,413
Restricted for:			
Categorical funding (note 12)	55,573	-	55,573
Capital projects	247,380	-	247,380
Debt service	474,438	-	474,438
Management levy purposes	33,040	-	33,040
Student activities	108,157	-	108,157
Public education and recreation levy purposes	148,600	-	148,600
Unrestricted	712,483	142,752	855,235
Total net assets	\$ 4,299,125	\$ 176,711	\$ 4,475,836

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 4,385,554	\$ 723,223	\$ 689,417	\$ -
Support services:				
Student services	85,222	-	27,449	-
Instructional staff services	150,275	-	-	-
Administration services	577,751	100	-	-
Operation and maintenance of plant services	329,611	113	-	-
Transportation services	233,133	31,913	351	-
	<u>1,375,992</u>	<u>32,126</u>	<u>27,800</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	41,049	-	-	451,937
Long-term debt interest and fiscal charges	167,742	-	-	-
AEA flowthrough	202,238	-	202,238	-
Depreciation (unallocated) *	76,842	-	-	-
	<u>487,871</u>	<u>-</u>	<u>202,238</u>	<u>451,937</u>
Total governmental activities	<u>6,249,417</u>	<u>755,349</u>	<u>919,455</u>	<u>451,937</u>
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>212,438</u>	<u>91,812</u>	<u>123,725</u>	<u>-</u>
Total	<u>\$ 6,461,855</u>	<u>\$ 847,161</u>	<u>\$ 1,043,180</u>	<u>\$ 451,937</u>

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,972,914)	\$ -	\$ (2,972,914)
(57,773)	-	(57,773)
(150,275)	-	(150,275)
(577,651)	-	(577,651)
(329,498)	-	(329,498)
(200,869)	-	(200,869)
(1,316,066)	-	(1,316,066)
410,888	-	410,888
(167,742)	-	(167,742)
-	-	-
(76,842)	-	(76,842)
166,304	-	166,304
(4,122,676)	-	(4,122,676)
-	3,099	3,099
(4,122,676)	3,099	(4,119,577)

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs

---

General revenues:

Property tax levied for:

General purposes

Public education and recreation

Capital outlay

Income surtax

Statewide sales, services and use tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included  
in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 1,481,732	\$ -	\$ 1,481,732
12,785	-	12,785
54,546	-	54,546
175,833	-	175,833
407,953	-	407,953
2,800,550	-	2,800,550
8,736	7	8,743
28,123	-	28,123
4,970,258	7	4,970,265
847,582	3,106	850,688
3,451,543	173,605	3,625,148
<u>\$ 4,299,125</u>	<u>\$ 176,711</u>	<u>\$ 4,475,836</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>				
Cash and pooled investments	\$ 906,932	\$ 1,926,577	\$ 521,273	\$ 3,354,782
Receivables:				
Property tax:				
Current year	19,565	767	1,449	21,781
Succeeding year	1,494,304	98,058	103,238	1,695,600
Income surtax	140,164	40,047	-	180,211
Due from other governments	308,146	530,630	-	838,776
Total assets	<u>\$ 2,869,111</u>	<u>\$ 2,596,079</u>	<u>\$ 625,960</u>	<u>\$ 6,091,150</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 73,938	\$ 366,300	\$ 1,306	\$ 441,544
Salaries and benefits payable	491,837	-	-	491,837
Interfund payable (note 3)	2,037	-	-	2,037
Early retirement payable	-	-	30,000	30,000
Deferred revenue:				
Succeeding year property tax	1,494,304	98,058	103,238	1,695,600
Other	140,164	40,047	-	180,211
Total liabilities	<u>2,202,280</u>	<u>504,405</u>	<u>134,544</u>	<u>2,841,229</u>
Fund balances:				
Restricted for:				
Categorical funding (note 12)	55,573	-	-	55,573
Revenue bond reserve	-	354,438	-	354,438
Revenue bond sinking fund	-	-	201,619	201,619
Management levy purposes	-	-	33,040	33,040
Student activities	-	-	108,157	108,157
Public education and recreation	-	-	148,600	148,600
School infrastructure	-	1,557,228	-	1,557,228
Physical plant and equipment	-	180,008	-	180,008
Unassigned	611,258	-	-	611,258
Total fund balances	<u>666,831</u>	<u>2,091,674</u>	<u>491,416</u>	<u>3,249,921</u>
Total liabilities and fund balances	<u>\$ 2,869,111</u>	<u>\$ 2,596,079</u>	<u>\$ 625,960</u>	<u>\$ 6,091,150</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2012

Total fund balances of governmental funds	\$ 3,249,921
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,581,436
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	180,211
The Internal Service Fund is used to charge the costs of the District's Section 125 benefits plan to the governmental funds. The net assets of the Internal Service Fund are therefore included in governmental activities.	42,999
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(86,123)
Long-term liabilities, including bonds payable, capital lease purchase agreements, compensated absences, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,669,319)</u>
Net assets of governmental activities	<u>\$ 4,299,125</u>

See notes to financial statements.



NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 1,530,448	\$ 502,506	\$ 102,948	\$ 2,135,902
Tuition	532,166	-	-	532,166
Other	160,343	2,333	136,473	299,149
State sources	3,361,450	48	90	3,361,588
Federal sources	322,125	450,000	-	772,125
Total revenues	<u>5,906,532</u>	<u>954,887</u>	<u>239,511</u>	<u>7,100,930</u>
Expenditures:				
Current:				
Instruction	<u>3,891,630</u>	<u>328,790</u>	<u>151,000</u>	<u>4,371,420</u>
Support services:				
Student services	85,222	-	-	85,222
Instructional staff services	103,290	52,705	-	155,995
Administration services	504,893	2,250	66,730	573,873
Operation and maintenance of plant services	317,860	13,146	-	331,006
Transportation services	204,703	12,820	4,852	222,375
	<u>1,215,968</u>	<u>80,921</u>	<u>71,582</u>	<u>1,368,471</u>
Other expenditures:				
Facilities acquisition	-	3,056,404	-	3,056,404
Long term debt:				
Interest and fiscal charges	-	-	122,428	122,428
AEA flowthrough	202,238	-	-	202,238
	<u>202,238</u>	<u>3,056,404</u>	<u>122,428</u>	<u>3,381,070</u>
Total expenditures	<u>5,309,836</u>	<u>3,466,115</u>	<u>345,010</u>	<u>9,120,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>596,696</u>	<u>(2,511,228)</u>	<u>(105,499)</u>	<u>(2,020,031)</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Capital Projects	Nonmajor	Total
Other financing sources (uses):				
Execution of capital lease	\$ -	\$ 302,381	\$ -	\$ 302,381
Interfund transfers in (note 4)	-	-	283,238	283,238
Interfund transfers out (note 4)	-	(283,238)	-	(283,238)
Total other financing sources (uses)	-	19,143	283,238	302,381
Net change in fund balances	596,696	(2,492,085)	177,739	(1,717,650)
Fund balances beginning of year	70,135	4,583,759	313,677	4,967,571
Fund balances end of year	\$ <u>666,831</u>	\$ <u>2,091,674</u>	\$ <u>491,416</u>	\$ <u>3,249,921</u>

See notes to financial statements.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (1,717,650)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 3,092,069	
Depreciation expense	<u>(139,100)</u>	2,952,969

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue and is deferred in the governmental funds. It is, however, recorded as revenue in the Statement of Activities. (4,416)

The change in net assets of the Internal Service Fund represents an undercharge to the governmental funds served. The expenses for governmental activities in the Statement of Activities are adjusted to reflect this amount. (8,843)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. (302,381)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (45,314)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(783)	
Net OPEB liability	<u>(26,000)</u>	<u>(26,783)</u>

Change in net assets of governmental activities \$ 847,582

See notes to financial statements.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2012

	Enterprise- School Nutrition	Internal Service- Section 125 Benefits
<b>Assets</b>		
Cash and cash equivalents	\$ 148,977	\$ 42,999
Interfund receivable (note 3)	2,037	-
Inventories	383	-
Capital assets, net of accumulated depreciation (note 6)	<u>33,959</u>	<u>-</u>
Total assets	<u>185,356</u>	<u>42,999</u>
<b>Liabilities</b>		
Salaries and benefits payable	5,819	-
Deferred revenue	<u>2,826</u>	<u>-</u>
Total liabilities	<u>8,645</u>	<u>-</u>
<b>Net Assets</b>		
Invested in capital assets	33,959	-
Unrestricted	<u>142,752</u>	<u>42,999</u>
Total net assets	<u>\$ 176,711</u>	<u>\$ 42,999</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Enterprise- School Nutrition	Internal Service- Section 125 Benefits
Operating revenues:		
Local sources:		
Charges for services	\$ 91,812	\$ 522,011
Operating expenses:		
Support services:		
Operation and maintenance of plant services	1,009	-
Non-instructional programs	211,429	531,339
	<u>212,438</u>	<u>531,339</u>
Operating loss	(120,626)	(9,328)
Non-operating revenues:		
Interest on investments	7	485
State sources	1,960	-
Federal sources	121,765	-
Total non-operating revenues	<u>123,732</u>	<u>485</u>
Change in net assets	3,106	(8,843)
Net assets beginning of year	<u>173,605</u>	<u>51,842</u>
Net assets end of year	<u>\$ 176,711</u>	<u>\$ 42,999</u>

See notes to financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Enterprise- School Nutrition	Internal Service- Section 125 Benefits
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 91,597	\$ -
Cash received from miscellaneous operating activities	1,004	522,011
Cash payments to employees for services	(68,316)	-
Cash payments to suppliers for goods or services	<u>(122,990)</u>	<u>(531,339)</u>
Net cash used by operating activities	<u>(98,705)</u>	<u>(9,328)</u>
Cash flows from non-capital financing activities:		
State grants received	1,960	-
Federal grants received	<u>106,165</u>	<u>-</u>
Net cash provided by non-capital financing activities	<u>108,125</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of capital assets	<u>(1,422)</u>	<u>-</u>
Cash flows from investing activities:		
Interest on investments	<u>7</u>	<u>485</u>
Net increase (decrease) in cash and cash equivalents	8,005	(8,843)
Cash and cash equivalents beginning of year	<u>140,972</u>	<u>51,842</u>
Cash and cash equivalents end of year	<u>\$ 148,977</u>	<u>\$ 42,999</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Enterprise- School Nutrition	Internal Service- Section 125 Benefits
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (120,626)	\$ (9,328)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	4,652	-
Commodities used	15,600	-
(Increase) in interfund receivable	(2,037)	-
Decrease in inventories	484	-
Increase in salaries and benefits payable	396	-
Increase in deferred revenue	2,826	-
Net cash used by operating activities	<u>\$ (98,705)</u>	<u>\$ (9,328)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$15,600 of federal commodities.

See notes to financial statements.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2012

	Private Purpose Trust
	<u>Scholarship</u>
Assets:	
Cash and pooled investments	\$ <u>22,277</u>
Liabilities:	
None	<u>-</u>
Net assets:	
Reserved for scholarships	\$ <u><u>22,277</u></u>
See notes to financial statements.	



NEW LONDON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2012

	Private Purpose Trust
	<u>Scholarship</u>
Additions:	
Local sources:	
Interest	\$ <u>131</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>1,527</u>
Change in net assets	(1,396)
Net assets beginning of year	<u>23,673</u>
Net assets end of year	\$ <u><u>22,277</u></u>

See notes to financial statements.

# NEW LONDON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 1. Summary of Significant Accounting Policies

New London Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of New London, Iowa, and agricultural territory in Henry and Des Moines Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, New London Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. New London Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Henry County Assessor's Conference Board.

#### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary funds:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service, Section 125 Benefits Fund is used to account for the Section 125 benefits plan offered by the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

**Income Surtax Receivable** – Income surtax budgeted for the fiscal year ended June 30, 2012 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

**Due From Other Governments** – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Interfund Receivables and Payables** – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**Inventories** – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-20 years

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue for governmental funds consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue for governmental activities in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the District-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

# NEW LONDON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 1. Summary of Significant Accounting Policies (continued)

#### E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the instruction and support services functions exceeded the amounts budgeted.

### Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ <u>3,119,094</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

### Note 3. Interfund Receivables and Payables

At June 30, 2012, interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount
Interfund balances between governmental and proprietary funds:		
Other receivables:		
Enterprise - School Nutrition	General	\$ <u>2,037</u>

The interfund balance is due to timing differences involved in reimbursements at year end.



NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>283,238</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Iowa Education Cash Flow Fund (ECF)

The District participates in the Iowa Education Cash Flow Fund (ECF). ECF is a program of Piper Jaffray and Company and is designed to provide funds to participating entities during periods of cash deficits. ECF is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. State Bank of Kansas City is the trustee for the program.

The interest rate on the series 2011-12A warrants was 1.5%. A summary of the District's ECF activity for the year ended June 30, 2012 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2011-12A	7/1/2011	2/25/2012	\$ <u>-</u>	\$ <u>515,000</u>	\$ <u>515,000</u>	\$ <u>-</u>

During the year ended June 30, 2012, the District paid \$5,021 of interest on the ECF warrants.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 47,701	\$ -	\$ -	\$ 47,701
Construction in progress	652,386	2,982,246	-	3,634,632
Total capital assets not being depreciated	<u>700,087</u>	<u>2,982,246</u>	<u>-</u>	<u>3,682,333</u>
Capital assets being depreciated:				
Buildings	3,166,080	1,296	-	3,167,376
Improvements other than buildings	222,546	-	-	222,546
Furniture and equipment	1,277,966	108,527	40,125	1,346,368
Total capital assets being depreciated	<u>4,666,592</u>	<u>109,823</u>	<u>40,125</u>	<u>4,736,290</u>
Less accumulated depreciation for:				
Buildings	1,694,705	54,590	-	1,749,295
Improvements other than buildings	186,473	2,401	-	188,874
Furniture and equipment	857,034	82,109	40,125	899,018
Total accumulated depreciation	<u>2,738,212</u>	<u>139,100</u>	<u>40,125</u>	<u>2,837,187</u>
Total capital assets being depreciated, net	<u>1,928,380</u>	<u>(29,277)</u>	<u>-</u>	<u>1,899,103</u>
Governmental activities capital assets, net	<u>\$ 2,628,467</u>	<u>\$ 2,952,969</u>	<u>\$ -</u>	<u>\$ 5,581,436</u>
Business-type activities:				
Furniture and equipment	\$ 122,102	\$ 1,422	\$ -	\$ 123,524
Less accumulated depreciation	<u>84,913</u>	<u>4,652</u>	<u>-</u>	<u>89,565</u>
Business-type activities capital assets, net	<u>\$ 37,189</u>	<u>\$ (3,230)</u>	<u>\$ -</u>	<u>\$ 33,959</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 6. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 29,360
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Support services:

Instructional staff	3,525
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Administration	1,334
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Operation and maintenance of plant services	4,461
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Transportation	23,578
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	<u>62,258</u>
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Unallocated depreciation	<u>76,842</u>
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Total governmental activities depreciation expense	\$ <u><u>139,100</u></u>
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Business-type activities:

Food service operations	\$ <u><u>4,652</u></u>
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NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Revenue Bonds	Lease Purchase Agreement	Compensated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 4,285,000	\$ -	\$ 7,155	\$ 48,000	\$ 4,340,155
Additions	-	302,381	7,938	26,000	336,319
Reductions	-	-	7,155	-	7,155
Balance end of year	<u>\$ 4,285,000</u>	<u>\$ 302,381</u>	<u>\$ 7,938</u>	<u>\$ 74,000</u>	<u>\$ 4,669,319</u>
Due within one year	<u>\$ 120,000</u>	<u>\$ 71,980</u>	<u>\$ 7,938</u>	<u>\$ -</u>	<u>\$ 199,918</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must have completed fifteen years of contracted service to the District and be eligible to receive IPERS retirement benefits. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible employee is equal to \$15,000. Early retirement benefits will be paid into a 403(b) plan in July of the year of retirement.

At June 30, 2012, the District has obligations to two participants with a total liability of \$30,000. The cost of early retirement payments expected to be liquidated currently is recorded as a liability of the Special Revenue, Management Levy Fund in the fund financial statements and as a liability of the Governmental Activities in the District-wide financial statements.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

Revenue Bonds

Details of the District's June 30, 2012 school infrastructure sales, service and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	2.00 %	\$ 120,000	\$ 162,038	\$ 282,038
2014	2.00	170,000	159,137	329,137
2015	3.00	195,000	154,513	349,513
2016	3.00	200,000	148,587	348,587
2017	3.00	205,000	142,513	347,513
2018	4.00	215,000	135,137	350,137
2019	4.00	220,000	126,438	346,438
2020	4.00	225,000	117,537	342,537
2021	4.00	235,000	108,338	343,338
2022	4.00	240,000	98,837	338,837
2023	4.00	250,000	89,038	339,038
2024	4.00	255,000	78,937	333,937
2025	4.00	265,000	68,538	333,538
2026	4.10	275,000	57,600	332,600
2027	4.25	285,000	45,906	330,906
2028	4.25	295,000	33,581	328,581
2029	4.25	310,000	20,725	330,725
2030	4.35	325,000	7,069	332,069
		<u>\$ 4,285,000</u>	<u>\$ 1,754,469</u>	<u>\$ 6,039,469</u>

The District pledged future statewide sales and services tax revenues to repay the \$4,285,000 bonds issued in April 2011. The bonds were issued for the purpose of financing a portion of the costs of various school building improvements. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District and the debt is not subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 70 to 85 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$6,039,469. For the current year, interest only of \$122,428 was paid on the bonds and total statewide sales and services tax revenues were \$407,953.

The resolution providing for the issuance of the school infrastructure sales, services and use tax revenue bonds includes the following provisions:

- (a) \$354,438 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. The balance of the proceeds shall be deposited to the Project Fund.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

Revenue Bonds (continued)

- (b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Fund.
- (c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

Capital Lease Purchase Agreement

During the year ended June 30, 2012, the District entered into a capital lease purchase agreement for \$302,381 to purchase computers, computer equipment, and related maintenance agreements. The agreement provides for semi-annual payments of \$40,613.56 every July 15 and January 15 through January 15, 2016 and includes interest at 3.25%.

Details of the District's June 30, 2012 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 71,980	\$ 9,247	\$ 81,227
2014	74,338	6,889	81,227
2015	76,774	4,453	81,227
2016	79,289	1,938	81,227
	<u>\$ 302,381</u>	<u>\$ 22,527</u>	<u>\$ 324,908</u>

Note 8. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 40 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Other Postemployment Benefits (OPEB) (continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	31,000
Interest on net OPEB obligation		1,000
Adjustment to annual required contribution		(3,000)
Annual OPEB cost		<u>29,000</u>
Contributions made		<u>(3,000)</u>
Increase in net OPEB obligation		26,000
Net OPEB obligation beginning of year		<u>48,000</u>
Net OPEB obligation end of year	\$	<u><u>74,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District contributed \$3,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 29,000	10.3%	\$ 74,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$187,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$187,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,999,000, and the ratio of the UAAL to covered payroll was 9.4%. As of June 30, 2012, there were no trust fund assets.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 8. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

Note 9. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$267,094, \$219,869, and \$213,543, respectively, equal to the required contributions for each year.



# NEW LONDON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### Note 10. Risk Management

New London Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### Note 11. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$202,238 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### Note 12. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Returning dropouts and dropout prevention programs	\$ 19,664
Beginning teacher mentoring and induction	4,637
Salary improvement program	2,592
Market factor	4,076
Professional development for model core curriculum	11,597
Professional development	11,088
Market factor incentives	<u>1,919</u>
Total	<u>\$ 55,573</u>

### Note 13. Construction Commitments

The District has entered into various contracts totaling \$3,724,684 for various building renovations. As of June 30, 2012, costs of \$2,948,601 had been incurred against the contracts. The balance of \$776,083 remaining at June 30, 2012 will be paid as work on the projects progresses.

### Note 14. Contingency

The District has one ongoing lawsuit. The District's insurance carrier is providing coverage for the lawsuit. The outcome of the case can not be determined at this time.

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## Required Supplementary Information

NEW LONDON COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year Ended June 30, 2012

	Governmental Funds - Actual	Proprietary Fund - Enterprise - Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>REVENUES:</b>						
Local sources	\$ 2,967,217	\$ 91,819	\$ 3,059,036	\$ 2,738,246	\$ 2,738,246	\$ 320,790
Intermediate sources	-	-	-	1,200	1,200	(1,200)
State sources	3,361,588	1,960	3,363,548	3,395,335	3,395,335	(31,787)
Federal sources	772,125	121,765	893,890	292,282	292,282	601,608
Total revenues	7,100,930	215,544	7,316,474	6,427,063	6,427,063	889,411
<b>EXPENDITURES/EXPENSES:</b>						
Instruction	4,371,420	-	4,371,420	4,305,031	4,305,031	(66,389)
Support services	1,368,471	1,009	1,369,480	1,303,677	1,303,677	(65,803)
Non-instructional programs	-	211,429	211,429	280,000	280,000	68,571
Other expenditures	3,381,070	-	3,381,070	509,336	4,285,000	903,930
Total expenditures/expenses	9,120,961	212,438	9,333,399	6,398,044	10,173,708	840,309
Excess (deficiency) of revenues over (under) expenditures/ expenses	(2,020,031)	3,106	(2,016,925)	29,019	(3,746,645)	1,729,720
Other financing sources, net	302,381	-	302,381	-	-	302,381
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(1,717,650)	3,106	(1,714,544)	29,019	(3,746,645)	2,032,101
Balance beginning of year	4,967,571	173,605	5,141,176	567,581	567,581	4,573,595
Balance end of year	\$ 3,249,921	\$ 176,711	\$ 3,426,632	\$ 596,600	\$ (3,179,064)	\$ 6,605,696

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$3,775,664.

During the year ended June 30, 2012, expenditures in the instruction and support services functions exceeded the amounts budgeted.

NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 203	\$ 203	0.0%	\$ 2,208	9.2%
2011	July 1, 2009	-	202	202	0.0%	2,597	7.8%
2012	July 1, 2009	-	187	187	0.0%	1,999	9.4%

See note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

## Supplementary Information

## NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue				
	Management Levy	Student Activity	Public Education and Recreation Levy	Debt Service	Total
<b>Assets</b>					
Cash and pooled investments	\$ 61,771	\$ 109,463	\$ 148,420	\$ 201,619	\$ 521,273
Receivables:					
Property tax:					
Current year	1,269	-	180	-	1,449
Succeeding year	90,000	-	13,238	-	103,238
<b>Total assets</b>	<b>\$ 153,040</b>	<b>\$ 109,463</b>	<b>\$ 161,838</b>	<b>\$ 201,619</b>	<b>\$ 625,960</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 1,306	\$ -	\$ -	\$ 1,306
Early retirement payable	30,000	-	-	-	30,000
Deferred revenue:					
Succeeding year property tax	90,000	-	13,238	-	103,238
<b>Total liabilities</b>	<b>120,000</b>	<b>1,306</b>	<b>13,238</b>	<b>-</b>	<b>134,544</b>
<b>Fund balances:</b>					
Restricted for:					
Revenue bond sinking fund	-	-	-	201,619	201,619
Management levy purposes	33,040	-	-	-	33,040
Student activities	-	108,157	-	-	108,157
Public education and recreation	-	-	148,600	-	148,600
<b>Total fund balances</b>	<b>33,040</b>	<b>108,157</b>	<b>148,600</b>	<b>201,619</b>	<b>491,416</b>
<b>Total liabilities and fund balances</b>	<b>\$ 153,040</b>	<b>\$ 109,463</b>	<b>\$ 161,838</b>	<b>\$ 201,619</b>	<b>\$ 625,960</b>

See accompanying independent auditor's report.



## NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2012

	Special Revenue				
	Management Levy	Student Activity	Public Education and Recreation Levy	Debt Service	Total
Revenues:					
Local sources:					
Local tax	\$ 90,174	\$ -	\$ 12,774	\$ -	\$ 102,948
Other	4,892	128,023	3,558	-	136,473
State sources	79	-	11	-	90
Total revenues	95,145	128,023	16,343	-	239,511
Expenditures:					
Current:					
Instruction	30,810	120,190	-	-	151,000
Support services:					
Administration services	66,730	-	-	-	66,730
Transportation services	4,852	-	-	-	4,852
Other expenditures:					
Long term debt:					
Interest and fiscal charges	-	-	-	122,428	122,428
Total expenditures	102,392	120,190	-	122,428	345,010
Excess (deficiency) of revenues over (under) expenditures	(7,247)	7,833	16,343	(122,428)	(105,499)
Other financing sources:					
Interfund transfers in	-	-	-	283,238	283,238
Net change in fund balances	(7,247)	7,833	16,343	160,810	177,739
Fund balances beginning of year	40,287	100,324	132,257	40,809	313,677
Fund balances end of year	\$ 33,040	\$ 108,157	\$ 148,600	\$ 201,619	\$ 491,416

See accompanying independent auditor's report.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
CAPITAL PROJECTS ACCOUNTS  
June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,747,336	\$ 179,241	\$ 1,926,577
Receivables:			
Property tax:			
Current year	-	767	767
Succeeding year	-	98,058	98,058
Income surtax	-	40,047	40,047
Due from other governments	530,630	-	530,630
<b>Total assets</b>	<b>\$ 2,277,966</b>	<b>\$ 318,113</b>	<b>\$ 2,596,079</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 366,300	\$ -	\$ 366,300
Deferred revenue:			
Succeeding year property tax	-	98,058	98,058
Other	-	40,047	40,047
<b>Total liabilities</b>	<b>366,300</b>	<b>138,105</b>	<b>504,405</b>
<b>Fund balances:</b>			
Restricted for:			
Revenue bond reserve	354,438	-	354,438
School infrastructure	1,557,228	-	1,557,228
Physical plant and equipment	-	180,008	180,008
<b>Total fund balances</b>	<b>1,911,666</b>	<b>180,008</b>	<b>2,091,674</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,277,966</b>	<b>\$ 318,113</b>	<b>\$ 2,596,079</b>

See accompanying independent auditor's report.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2012

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 407,953	\$ 94,553	\$ 502,506
Other	617	1,716	2,333
State sources	-	48	48
Federal sources	450,000	-	450,000
Total revenues	<u>858,570</u>	<u>96,317</u>	<u>954,887</u>
Expenditures:			
Current:			
Instruction	26,409	302,381	328,790
Support services:			
Instructional staff services	-	52,705	52,705
Administration services	2,250	-	2,250
Operation and maintenance of plant services	13,146	-	13,146
Transportation services	12,820	-	12,820
Other expenditures:			
Facilities acquisition	3,056,404	-	3,056,404
Total expenditures	<u>3,111,029</u>	<u>355,086</u>	<u>3,466,115</u>
Deficiency of revenues under expenditures	(2,252,459)	(258,769)	(2,511,228)
Other financing sources (uses):			
Execution of capital lease	-	302,381	302,381
Interfund transfers out	(283,238)	-	(283,238)
Total other financing sources (uses)	<u>(283,238)</u>	<u>302,381</u>	<u>19,143</u>
Net change in fund balances	(2,535,697)	43,612	(2,492,085)
Fund balances beginning of year	<u>4,447,363</u>	<u>136,396</u>	<u>4,583,759</u>
Fund balances end of year	<u>\$ 1,911,666</u>	<u>\$ 180,008</u>	<u>\$ 2,091,674</u>

See accompanying independent auditor's report.

## NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2012

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 16,245	\$ 48,965	\$ 49,355	\$ 15,855
Classes of 2011-2016	2,279	2,185	2,337	2,127
Masqued Tigers	4,070	1,181	1,035	4,216
Instrumental Music	700	2,415	2,542	573
Student Council	6,263	6,203	7,162	5,304
Elementary Student Advisory Council	9,816	3,941	4,212	9,545
Elementary Science Fair	-	1,500	-	1,500
Yearbook	4,139	5,395	5,658	3,876
Middle School Student Council	4,528	1,841	2,153	4,216
High School Cheerleaders	2,749	5,064	4,323	3,490
Music and Drama	(395)	1,092	697	-
Vocal Music:				
High School	2,971	1,015	2,553	1,433
Middle School	62	50	-	112
New London Tigerettes	5,933	2,081	1,064	6,950
Interest on Investments	3,519	15	249	3,285
Boys Basketball	6,092	5,301	5,453	5,940
Sixth Grade Projects	5,441	3,096	2,180	6,357
Tiger Tales Book Store	295	417	712	-
Playground	746	-	-	746
Middle School Volleyball	250	-	-	250
Tiger Football	(208)	8,634	4,982	3,444
Tiger Wrestling	2,286	2,798	3,367	1,717
Tiger Girls Basketball	8,780	11,346	8,242	11,884
Burkhart Girls Basketball	437	-	22	415
Tiger Volleyball	391	5,883	5,761	513
Tiger Softball	4,853	2,793	1,606	6,040
Tiger Baseball	2,514	2,841	1,667	3,688
MS Boys Baseball	(33)	543	476	34
Jump Rope for Heart	1,915	-	990	925
Boys Track	814	848	560	1,102
High School Boys Golf	1,106	-	155	951
Middle School Softball	628	580	522	686
High School Girls Golf	769	-	155	614
Clark Cards	369	-	-	369
Total	\$ 100,324	\$ 128,023	\$ 120,190	\$ 108,157

See accompanying independent auditor's report.

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NEW LONDON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,			
	2012	2011	2010	2009
Revenues:				
Local sources:				
Local tax	\$ 2,135,902	\$ 2,060,922	\$ 1,864,615	\$ 1,804,112
Tuition	532,166	356,282	311,495	303,108
Other	299,149	263,928	277,414	376,144
Intermediate sources	-	-	-	176
State sources	3,361,588	3,035,948	2,807,933	3,274,593
Federal sources	772,125	310,036	552,407	203,607
Total revenues	<u>\$ 7,100,930</u>	<u>\$ 6,027,116</u>	<u>\$ 5,813,864</u>	<u>\$ 5,961,740</u>
Expenditures:				
Instruction	\$ 4,371,420	\$ 3,929,750	\$ 3,985,085	\$ 3,885,220
Support services:				
Student services	85,222	89,736	57,839	111,955
Instructional staff services	155,995	260,936	129,400	106,071
Administration services	573,873	532,545	540,313	556,546
Operation and maintenance of plant services	331,006	348,020	340,327	386,326
Transportation services	222,375	205,972	236,753	271,055
Other expenditures:				
Facilities acquisition	3,056,404	710,188	243,862	211,095
Long-term debt:				
Interest and fiscal charges	122,428	89,415	-	-
AEA flowthrough	202,238	220,536	219,068	201,220
Total expenditures	<u>\$ 9,120,961</u>	<u>\$ 6,387,098</u>	<u>\$ 5,752,647</u>	<u>\$ 5,729,488</u>

See accompanying independent auditor's report.

	2008	2007	2006	2005
\$	1,707,429	\$ 1,656,080	\$ 1,591,318	\$ 1,327,471
	260,611	170,869	192,869	197,809
	441,751	331,331	306,179	201,871
	-	-	-	-
	3,085,211	2,751,262	2,712,146	2,369,276
	237,343	220,729	124,892	194,018
\$	<u>5,732,345</u>	<u>5,130,271</u>	<u>4,927,404</u>	<u>4,290,445</u>
\$	3,726,013	\$ 3,388,690	\$ 3,298,584	\$ 3,139,664
	110,834	101,376	97,041	85,562
	114,442	110,957	72,122	173,748
	594,899	513,020	487,501	466,970
	383,841	419,060	457,882	394,744
	264,996	216,290	185,782	239,801
	290,731	461,344	178,013	3,662
	-	-	-	-
	185,711	168,638	164,835	154,091
\$	<u>5,671,467</u>	<u>5,379,375</u>	<u>4,941,760</u>	<u>4,658,242</u>

NEW LONDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education:			
Rural Education	84.358	FY 12	\$ <u>40,485</u>
Indirect:			
U. S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 12	14,947
National School Lunch Program	10.555	FY 12	91,218
National School Lunch Program (non-cash)	10.555	FY 12	<u>15,600</u>
			<u>121,765</u>
U. S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	4689G	65,896
Title I Grants to Local Educational Agencies	84.010	4689GC	<u>25,510</u>
			<u>91,406</u>
Fund for the Improvement of Education	84.215	FY 11	<u>450,000</u>
Improving Teacher Quality State Grants	84.367	FY 12	<u>17,315</u>
Grants for State Assessments and Related Activities	84.369	FY 12	<u>3,445</u>
Education Jobs Fund	84.410	FY 11	108,272
Education Jobs Fund	84.410	FY 12	<u>1,603</u>
			<u>109,875</u>
Great Prairie Area Education Agency:			
Special Education - Grants to States	84.027	FY 12	<u>28,135</u>
Southeastern Community College:			
Career and Technical Education - Basic Grants to States	84.048	FY 12	<u>4,016</u>
Total			\$ <u><u>866,442</u></u>



NEW LONDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of New London Community School District and is presented on the accrual or modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
New London Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of New London Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of New London Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered New London Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New London Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New London Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 and II-B-12 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-C-12 to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether New London Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about New London Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

New London Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit New London Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of New London Community School District and other parties to whom New London Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of New London Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
December 11, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of  
New London Community School District:

Compliance

We have audited New London Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. New London Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of New London Community School District's management. Our responsibility is to express an opinion on New London Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New London Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on New London Community School District's compliance with those requirements.

In our opinion, New London Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of New London Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered New London Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of New London Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a significant deficiency.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part III of the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a significant deficiency.

New London Community School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's response, we did not audit New London Community School District's response and, accordingly, we express no opinion on it.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of New London Community School District and other parties to whom New London Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
December 11, 2012

NEW LONDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.215 – Fund for the Improvement of Education
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) New London Community School District did not qualify as a low-risk auditee.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

II-A-12    Bank Reconciliation – We noted that bank reconciliations were prepared for each bank account but were not reconciled to the general ledger. This leads to posting errors remaining undetected and many unrecorded transactions. We noted outstanding checks were overstated by \$88,951 on the June bank reconciliation and non-cash items were included in cash balances. We also noted a final unreconciled difference of \$2,674. Adjusting journal entries have been made to the general ledger to record and correct these items.

Recommendation – All bank accounts should be reconciled and tied to the general ledger each month. Any differences should be investigated and corrected. This would allow the District to timely detect and correct errors or omissions and would provide accurate and reliable financial information of the District throughout the year for the Board of Education's management decisions.

Response – Bank reconciliations for all accounts will be tied to the general ledger in the future. Any differences will be investigated and corrected timely.

Conclusion – Response accepted.

II-B-12    Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the District's financial statements in the Capital Projects Fund. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables and payables are identified and included in the District's financial statements.

Response – We will double check these in the future to avoid missing any receivables or payables.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part II: Findings Related to the Basic Financial Statements (continued):

Internal Control Deficiencies (continued):

- II-C-12 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual handles most of the duties involved in the receipts, disbursements and payroll functions.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternatives and implement where possible.

Conclusion – Response accepted.

- II-D-12 School Nutrition Fund Accounts – The District records meal revenues as lunch revenue only and does not break out the breakfast, adult or ala carte revenues as required by Iowa Department of Education guidelines.

Recommendation – On a monthly basis, the District should recognize the amount of meals served as revenue and record these in their applicable meal revenue category i.e. adult lunches, breakfast, student lunches, and ala carte.

Response – We will consider allocating the revenue to the applicable meal revenue category as meals are served each month.

Conclusion – Response accepted.



NEW LONDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiency:

CFDA Number 84.215: Fund for the Improvement of Education  
Federal Award Year: 2011  
U.S. Department of Education  
Passed through the Iowa Department of Education

III-A-12 Segregation of Duties – One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual handles most of the duties involved in the receipts and disbursements functions.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will investigate alternatives and implement where possible.

Conclusion – Response accepted.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, exceeded the amounts budgeted in the instruction and support services functions at year end and exceeded the amount budgeted in the other expenditures function prior to the amendment of the budget.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- IV-B-12 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- IV-C-12 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- IV-D-12 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Julie McPherson Spouse of Board Member	Substitute Teacher	\$9,231
Susan Carter Spouse of Board Member	Associate	\$7,573
Greg Lerdal, Golf Coach Owner of Deerwood Golf	Golf fees/supplies	\$1,905
Mark Scott, Spouse of Teacher Owner of Ebert Supply Company	Custodial supplies	\$491
Ron Boyer, Spouse of Board Secretary Owner of Boyer’s Home Improvement	Maintenance work	\$100
Josten Boyer, Daughter of Board Secretary	Cleaning	\$398

In accordance with an Attorney General’s opinion dated November 9, 1976, the third, fourth, fifth, and sixth transactions do not appear to represent any conflict of interest. However, the first and second transactions appear to represent conflicts of interest since the cumulative amount for the fiscal year was more than the \$2,500 allowed by Chapter 279.7A of the Code of Iowa.

Recommendation – The District should contact their legal counsel to resolve this situation.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-D-12 Business Transactions (continued)

Response – The Board does not approve substitute teachers, the Principals do. Our Attorney feels there is not a conflict of interest and that the District is doing all they need to to avoid a conflict of interest.

Conclusion – Response accepted.

IV-E-12 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-12 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-12 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

IV-H-12 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-12 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

IV-K-12 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

NEW LONDON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting (continued):

- IV-L-12    Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	4,447,363	
Revenues:				
Sales tax revenues	\$	407,953		
Interest		617		
Federal grants		<u>450,000</u>	858,570	
Expenditures/transfers out:				
School infrastructure construction		3,056,404		
Equipment		46,375		
Other		8,250		
Transfers to other funds:				
Debt Service Fund		<u>283,238</u>	<u>3,394,267</u>	
Ending balance			\$	<u><u>1,911,666</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

- IV-M-12    Reporting – The interim report for the Iowa Demonstration Construction grant was not filed timely. The report was due March 15 but was not filed until June 28.

Recommendation – The District should file all required grant reports timely in the future.

Response – We will try to make sure all required grant reports are filed timely in the future.

Conclusion – Response accepted.